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STATE OF MONTANA  
MILES COMMUNITY COLLEGE  
REPORT ON AUDIT

Conducted Under Contract by  
Haas & Associates

Certified Public Accountants

Fiscal Years Ended June 30, 1981 and 1982

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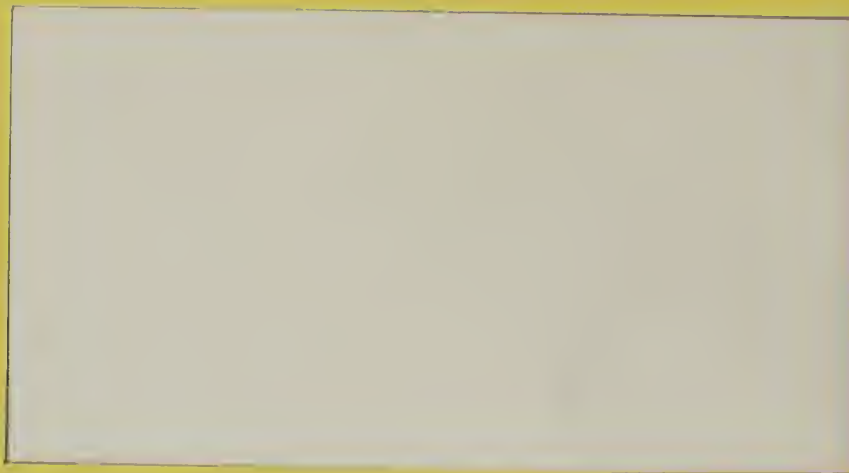
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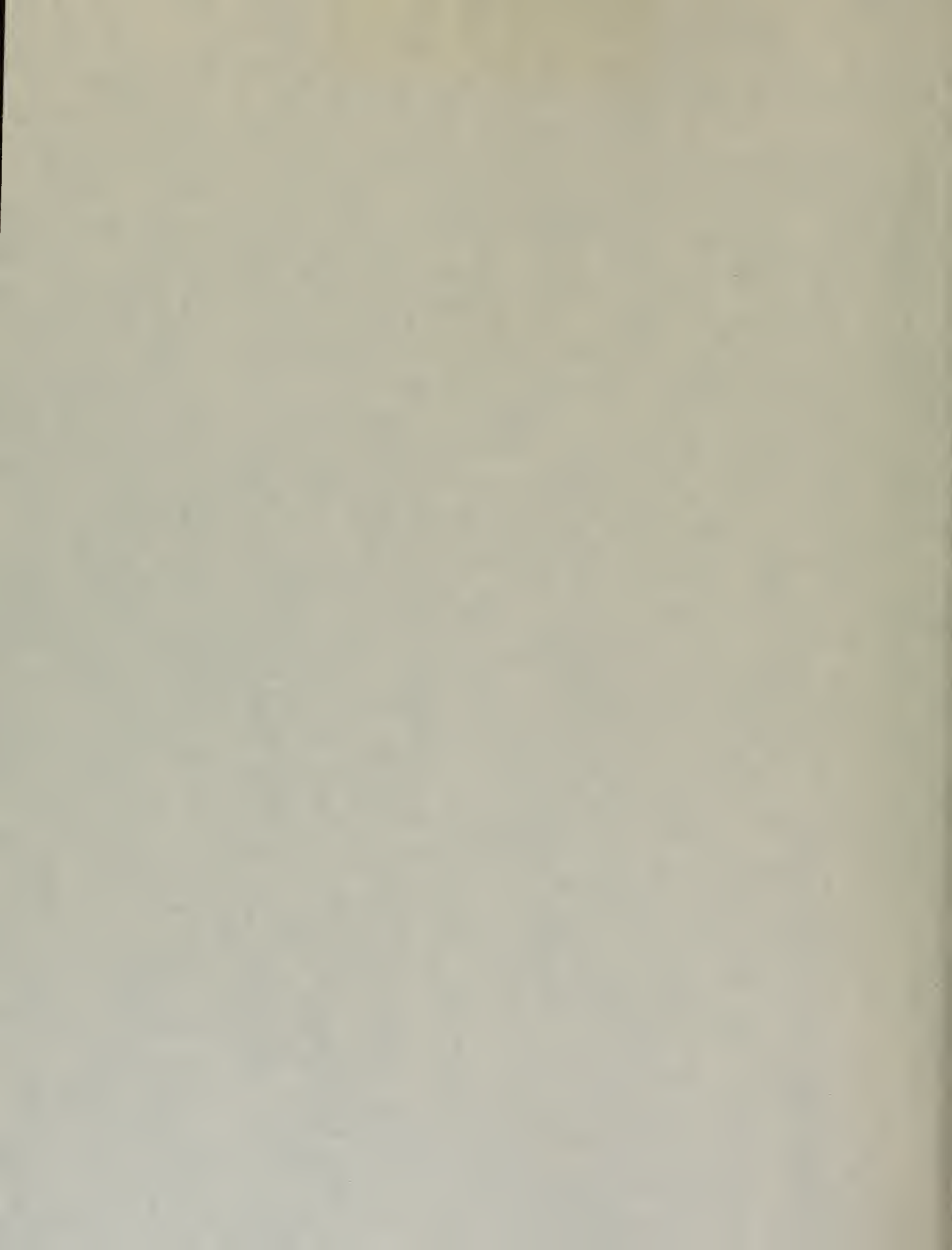
MILES COMMUNITY COLLEGE

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Fiscal Years Ended June 30, 1981 and 1982



MILES COMMUNITY COLLEGE

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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL  
HELENA, MONTANA 59620  
406/449-3122



ROBERT R. RINGWOOD  
LEGISLATIVE AUDITOR

December 6, 1982

DEPUTY LEGISLATIVE AUDITORS:

JAMES H. GILLET  
FINANCIAL/COMPLIANCE  
AND CONTRACTED AUDITS

SCOTT A. SEACAT  
PERFORMANCE/SUNSET AUDITS

STAFF LEGAL COUNSEL  
JOHN W. NORTHEY

The Legislative Audit Committee  
of the Montana State Legislature:

Enclosed is the report on the audit of Miles Community College for  
the two fiscal years ended June 30, 1982.

The audit was conducted by Haas and Associates, PSC, under a con-  
tract between the firm and our office. The comments and recom-  
mendations contained in this report represent the views of the firm  
and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is  
included in the back of the audit report.

Respectfully submitted,

*Robert R. Ringwood*  
Robert R. Ringwood  
Legislative Auditor





APPOINTIVE AND ADMINISTRATIVE OFFICIALS

BOARD OF REGENTS OF HIGHER EDUCATION

Ted Schwinden, Governor\*  
Ed Argenbright, Superintendent of Public Instruction\*  
Irving E. Dayton, Commissioner of Higher Education\*

Lewy Evans, Jr.	1983
Burt Hurwitz	1986
Robert M. Knight	1989
Elsie Redlin	1984
Darla Keck	1983
Mary Pace	1985
Jeffrey B. Morrison, Chairman	1987

\* ex officio members

MILES COMMUNITY COLLEGE  
BOARD OF TRUSTEES

James P. Lucas, President	1983
Gerald E. Rowen, M.D., Vice President	1982
Eilleen Carlson, Secretary	1983
Jessica Stickney	1984
Norman Carey	1982
Mitt Benge	1982
Robert Barthelmess	1984

ADMINISTRATION

Judson H. Flower, Ph.D.	President
John C. Koch	Administrative Assistant
Robert E. Hokom, Ph.D.	Dean, Instructional Services
W. Wayne Muri	Business Manager
Sharon Lofland	Comptroller

THE UNIVERSITY OF CHICAGO  
DEPARTMENT OF CHEMISTRY

NAME	ADDRESS	CITY	STATE
Mr. J. H. Smith	123 Main St.	Chicago	Ill.
Mr. W. E. Jones	456 Oak St.	Chicago	Ill.
Mr. R. L. Brown	789 Elm St.	Chicago	Ill.
Mr. T. M. White	1010 Maple St.	Chicago	Ill.
Mr. S. K. Green	1111 Pine St.	Chicago	Ill.
Mr. D. N. Black	1212 Cedar St.	Chicago	Ill.
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Mr. O. Q. Reed	1717 Walnut St.	Chicago	Ill.
Mr. P. R. Scott	1818 Chestnut St.	Chicago	Ill.
Mr. Q. S. Taylor	1919 Madison St.	Chicago	Ill.
Mr. R. T. Walker	2020 Monroe St.	Chicago	Ill.
Mr. S. U. Young	2121 Lincoln St.	Chicago	Ill.
Mr. T. V. Ziegler	2222 Taylor St.	Chicago	Ill.
Mr. U. W. Adams	2323 Jackson St.	Chicago	Ill.
Mr. V. X. Baker	2424 Adams St.	Chicago	Ill.
Mr. W. Y. Carter	2525 Franklin St.	Chicago	Ill.
Mr. X. Z. Evans	2626 Grant St.	Chicago	Ill.
Mr. Y. A. Foster	2727 Sherman St.	Chicago	Ill.
Mr. Z. B. Gibson	2828 Polk St.	Chicago	Ill.
Mr. A. C. Hill	2929 Broadway St.	Chicago	Ill.
Mr. B. D. King	3030 Lexington St.	Chicago	Ill.
Mr. C. E. Lee	3131 Belmont St.	Chicago	Ill.
Mr. D. F. Miller	3232 Myrtle St.	Chicago	Ill.
Mr. E. G. Nelson	3333 Central St.	Chicago	Ill.
Mr. F. H. Owen	3434 Erie St.	Chicago	Ill.
Mr. G. I. Parker	3535 Commercial St.	Chicago	Ill.
Mr. H. J. Quinn	3636 State St.	Chicago	Ill.
Mr. I. K. Reed	3737 Washington St.	Chicago	Ill.
Mr. J. L. Scott	3838 Madison St.	Chicago	Ill.
Mr. K. M. Taylor	3939 Monroe St.	Chicago	Ill.
Mr. L. N. Walker	4040 Lincoln St.	Chicago	Ill.
Mr. M. O. Young	4141 Taylor St.	Chicago	Ill.
Mr. N. P. Ziegler	4242 Jackson St.	Chicago	Ill.
Mr. O. Q. Adams	4343 Adams St.	Chicago	Ill.
Mr. P. R. Baker	4444 Franklin St.	Chicago	Ill.
Mr. Q. S. Carter	4545 Grant St.	Chicago	Ill.
Mr. R. T. Evans	4646 Sherman St.	Chicago	Ill.
Mr. S. U. Gibson	4747 Polk St.	Chicago	Ill.
Mr. T. V. Hill	4848 Broadway St.	Chicago	Ill.
Mr. U. W. King	4949 Lexington St.	Chicago	Ill.
Mr. V. X. Lee	5050 Belmont St.	Chicago	Ill.
Mr. W. Y. Miller	5151 Myrtle St.	Chicago	Ill.
Mr. X. Z. Nelson	5252 Central St.	Chicago	Ill.
Mr. Y. A. Owen	5353 Erie St.	Chicago	Ill.
Mr. Z. B. Parker	5454 Commercial St.	Chicago	Ill.
Mr. A. C. Quinn	5555 State St.	Chicago	Ill.
Mr. B. D. Reed	5656 Washington St.	Chicago	Ill.
Mr. C. E. Scott	5757 Madison St.	Chicago	Ill.
Mr. D. F. Taylor	5858 Monroe St.	Chicago	Ill.
Mr. E. G. Walker	5959 Lincoln St.	Chicago	Ill.
Mr. F. H. Young	6060 Taylor St.	Chicago	Ill.
Mr. G. I. Ziegler	6161 Jackson St.	Chicago	Ill.
Mr. H. J. Adams	6262 Adams St.	Chicago	Ill.
Mr. I. K. Baker	6363 Franklin St.	Chicago	Ill.
Mr. J. L. Carter	6464 Grant St.	Chicago	Ill.
Mr. K. M. Evans	6565 Sherman St.	Chicago	Ill.
Mr. L. N. Gibson	6666 Polk St.	Chicago	Ill.
Mr. M. O. Hill	6767 Broadway St.	Chicago	Ill.
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Mr. O. Q. Lee	6969 Belmont St.	Chicago	Ill.
Mr. P. R. Miller	7070 Myrtle St.	Chicago	Ill.
Mr. Q. S. Nelson	7171 Central St.	Chicago	Ill.
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Mr. Y. A. Young	7979 Taylor St.	Chicago	Ill.
Mr. Z. B. Ziegler	8080 Jackson St.	Chicago	Ill.
Mr. A. C. Adams	8181 Adams St.	Chicago	Ill.
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Mr. N. P. Reed	9494 Washington St.	Chicago	Ill.
Mr. O. Q. Scott	9595 Madison St.	Chicago	Ill.
Mr. P. R. Taylor	9696 Monroe St.	Chicago	Ill.
Mr. Q. S. Walker	9797 Lincoln St.	Chicago	Ill.
Mr. R. T. Young	9898 Taylor St.	Chicago	Ill.
Mr. S. U. Ziegler	9999 Jackson St.	Chicago	Ill.

## SUMMARY OF RECOMMENDATIONS

As a separate section in front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full reply of Miles Community College is included as a separate section directly following the financial statements.

### Page

- 1) We recommend that the college enrollment forms be prenumbered and accounted for.

3

Agency Reply: Concur. Starting Winter quarter we will be running our registration on MCC's computer system rather than EMC's computer system. When this system is fully implemented (Fall 1983), all official registration forms will be sequentially numbered with a corresponding number on a computer generated tuition and fee form. All other types of enrollment documents, ie. extension cards, non-credit enrollment cards, etc., will also be sequentially numbered.

- 2) We recommend that worksheets for calculation and manual additions to FTE reports be retained and reconciled to the Commissioner's office report.

3

Agency Reply: Concur. All changes, including late registrants, made in the computer generated enrollment reports will be properly documented and photocopies of all origination documents will be kept with this documentation.

- 3) We recommend that the College develop a fiscal procedures and accounting manual.

4

Agency Reply: Concur. We are currently considering utilizing an outside firm to write the manual.

- 4) We recommend that better control be established over warrant signature stamps and at least one actual signature be required on each warrant.

4

Agency Reply: Concur. Policy review required at least one original signature on all checks. Three signatures are authorized. We will reinforce following policy.

- Page
- 5) We recommend that responsibility for receipts and disbursements be properly segregated to assure internal control. 5
- Agency Reply: Concur.
- 6) We recommend that original documents be prenumbered, accounted for, and used to reconcile cash receipts. 5
- Agency Reply: Concur. Now that we better understand the requirements of our computer software, we are developing prenumbered forms for this use.
- 7) We recommend the College use their library inventory program to record other fixed assets. 6
- Agency Reply: We do not feel that use of the library program would be more than a stop-gap measure. We have a definite time table for taking a physical count and developing an adequate program so that the fixed assets will be accounted for and recorded properly by the end of fiscal 1983.
- 8) We recommend that the College update equipment inventory as new items are purchased and verify the inventory list annually. 6
- Agency Reply: Concur. A physical inventory is planned for December, 1982. Additions will be booked when received.
- 9) We recommend the College develop a procedure for receipting all fixed assets taken from their normal locations. 6
- Agency Reply: Concur.
- 10) We recommend the College deposit all Student Association funds with the County Treasurer so they will always be accessible to the proper officials. 6
- Agency Reply: Concur. As of January, 1983 Student Association funds will be deposited with the County Treasurer.
- 11) We recommend that all Rodeo Club funds be deposited with the County Treasurer and accounted for in the College records. 6
- Agency Reply: Concur. Compliance will be accomplished by January, 1983.

- 12) We recommend the College properly record all debt service transactions so as to comply with generally accepted accounting principals for colleges and universities. 7
- Agency Reply: Concur. Will have requested periodic reports from the County Treasurer's Office.
- 13) We recommend that all adjusting entries be booked as soon as determined and accounting records be kept current and accurate at all times. 7
- Agency Reply: Concur.
- 14) We recommend that the Minutes of the Board of Trustees be signed by all appropriate officials as soon as approved. 8
- Agency Reply: Concur. As of the December, 1982 Trustee Meeting, signatures are current.
- 15) We recommend that detail listings of budgets be included with the minutes when presented and approved. 8
- Agency Reply: Concur.
- 16) We recommend the College review all employee files to assure proper payroll withholding authorizations. 8
- Agency Reply: Concur. Although all forms have been found since the audit inspection, control and filing methods will be upgraded.
- 17) We recommend the College prepare a computer procedures manual to document systems, internal control, and user controls of the computer hardware. 9
- Agency Reply: Concur. The new computer services director is in the process of developing and recording these procedures.
- 18) We recommend that NACUBO account classifications be used for the College accounting system. 9
- Agency Reply: Concur. We have ordered a current NACUBO manual and will implement changes as needed.
- 19) We recommend accrual of full levies each year with an offset account for reserve for uncollected taxes based on the collection rate experienced for at least the previous three years. 10
- Agency Reply: Concur.



- 20) We recommend the maintenance of a comprehensive support ledger to detail each year's uncollected taxes, to be reconciled periodically to the general ledger account, and to be used as a basis for requesting legal collection action by the County Sheriff when taxes are three years past due.

Agency Reply: Concur.

- 21) We recommend the College request the acceleration of the state appropriation payment to reduce their fall cash flow problems. 10

Agency Reply: Concur. A cash flow study will indicate approximate funding needs to be presented to the legislature.

- 22) We recommend a copy of each student's class schedule be filed with student time sheets so that reviewers may readily ascertain that college work study students are not working during class hours. 11

Agency Reply: Concur. Effective January, 1983 CWS employees will have a current schedule placed in their files.

- 23) We recommend a regular procedure of reconciliation to assure that federal financial aid reports reconcile with the accounting records. 11

Agency Reply: Concur. Periodic (monthly/quarterly) reconciliations are planned.

MILES COMMUNITY COLLEGE  
FINDINGS AND RECOMMENDATIONS

GENERAL COMMENTS

BACKGROUND

In 1939 the Legislative Assembly passed legislation enabling the establishment of Custer County Junior College. In 1966 the name was changed to Miles Community College. The community college district was established in 1970 by action of the local joint High School-College Board which governed the College up to that time. In 1971 the Northwest Association of Schools and Colleges granted full accreditation to Miles Community College.

Under the laws of Montana the Board of Regents of Higher Education are vested with the general supervision of the College. The Board of Trustees of Miles Community College oversees the operation of the College. The College President is responsible for the immediate direction, management and control of the Institution.

The Miles Community College offers the following instructional services for which associate degrees and/or certificates of completion may be granted:

- A. Freshman and sophomore courses for transfer to a four-year university or college leading toward a baccalaureate degree.
- B. Occupational education for entry into specific vocations and upgrading in order to increase effectiveness on the job.
- C. Developmental education for students who are not prepared for college work and/or occupational programs.
- D. Continuing education for individuals in the community who may desire further general education in a vocational field or in a social, cultural interest. Programs and courses can be varied and modified to meet the needs and demands of the community.

The College enrollment for spring 1982 quarter was 375 full-time students and 483 part-time students.

The primary sources of revenue to operate the College come from the State's general fund appropriation and the district mill levies. Revenue is also generated from student tuition, fees, federal grants, and auxiliary enterprise operations.





## INTRODUCTION

We have examined the financial statements of Miles Community College for the fiscal years ended June 30, 1981 and June 30, 1982, and have issued our report thereon dated November 23, 1982. As a part of our examination, we made a study and evaluation of the College's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the College's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Miles Community College is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Miles Community College taken as a whole.

However, our study and evaluation disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Miles Community College may occur and not be detected within a timely period.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the 1981 and 1982 financial statements, and this report does not affect our report on these financial statements dated November 23, 1982.

The following paragraphs are intended solely for the use of management and the legislature and should not be used for any



other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon acceptance by the Legislative Audit Committee, is a matter of public record.

## FINDINGS AND RECOMMENDATIONS

### STUDENT FULL-TIME EQUIVALENT

The Legislature of the State of Montana appropriates General Fund monies for support of the Community College program based on full-time equivalent students. Courses are assigned allowable credit hours and the number of students enrolled on the 15th day of the quarter are counted in the calculations, with 15 credit hours resulting in 1 FTE. The FTE is reported to the Commissioner of Higher Education according to procedures and on forms described in a manual. During the audit period the College used the computer service at Eastern Montana College in Billings to record and calculate FTE. Student enrollment forms for regular classes were sent to Billings and manual adjustments were made to the report figure for extension courses at Dull Knife Memorial College, Fort Peck Community College, Little Big Horn College, and other off-campus courses such as the Power Plant Technology course at Colstrip. Our tests of the procedures indicated that the computer-generated counts included all regular enrollments; however, the manually calculated additions may have slightly understated FTE because they did not appear to include students enrolled the 10th day who later dropped the course. Our review of the procedures revealed some weaknesses in the system which we believe cause more time to be taken than necessary to complete the process, make testing difficult, and which could lead to material distortions of the FTE count.

The College has purchased a new computer system and plans to use it to record and summarize FTE data. In developing their own system we recommend they prenumber and account for all enrollment forms, both for regular students and extension courses. If the program is developed it could include cross-checks for tuition paid, fee waivers, and final grade reports. We also recommend that any manual additions to the computer-generated data, or additions required because a course is scheduled late in a quarter and included in a subsequent report, be completely documented by worksheets and reconciled with reports submitted to the Commissioner's office.

### RECOMMENDATIONS

- 1) We recommend that the college enrollment forms be prenumbered and accounted for.
- 2) We recommend that worksheets for calculation and manual additions to FTE reports be retained and reconciled to the Commissioner's office report.



## INTERNAL CONTROL

Any organization which is responsible for public funds must establish adequate internal control to safeguard the funds and assets and assure compliance with applicable statutes, as well as contracts and grants.

Good internal control requires separation of duties so that the cash receipts and disbursements are authorized by more than one individual. It also requires control over input documents, usually by prenumbering and cancellation. It is advisable to have internal control procedures formally documented and described in a procedures manual. During our audit field work, we noted several instances which we considered as inadequate internal control. We will comment specifically on these items; however, we believe the College should develop a fiscal procedures manual to assure that all procedures are properly controlled and documented. The process of developing a manual should be assigned to an individual with fiscal background and sufficient authority to assure recommendations are followed. Some organizations find it best to contract with a consultant for this service. Once developed the manual must be periodically reviewed to assure it is being followed and is updated for necessary changes.

### RECOMMENDATION

3) We recommend that the College develop a fiscal procedures and accounting manual.

## CASH DISBURSEMENTS

The College has signature stamps for warrants which we were told could be used if signators were not available. Dual signatures are required on all warrants and in our sample we found warrants where both signatures were stamps. The use of the signature stamps, while necessary at times, should be controlled. At least one of the signatures on each warrant should be actual. It would be better policy to authorize additional signators, if the usual signers are required to travel extensively, than to allow the use of a stamp which might be used by an unauthorized individual.

### RECOMMENDATION

4) We recommend that better control be established over warrant signature stamps and at least one actual signature be required on each warrant.

## SEPARATION OF ACCOUNTING FUNCTIONS

We noted that accounting staff with access to and authorization for disbursements also have access to cash receipts and records. Although the final review and approval of expenditures is by the Board it is better policy to formally separate duties on the staff level. The College has adequate staff to assign separate responsibilities for such functions as collections, deposits, and check preparation. At the time of the audit we also noted that the bank reconciliations were being carried out by the comptroller who is responsible for other areas of cash receipts and disbursements. This again is not adequate separation of duties.

### RECOMMENDATION

5) We recommend that responsibility for receipts and disbursements be properly segregated to assure internal control.

## DOCUMENT CONTROL

One method of improving internal control is to use prenumbered documents in all areas of original input, to account for all numbers, and to use the control to balance to cash receipts or disbursements. As we noted earlier, student enrollment forms should be prenumbered and accounted for. In addition, we believe tuition remittance receipts and vouchers used to support expenditures not requiring a purchase order should also be prenumbered. The use of prenumbered forms would facilitate the daily cash reconciliation, especially during registration periods when there is a high volume of documents and receipts.

### RECOMMENDATION

6) We recommend that original documents be prenumbered, accounted for, and used to reconcile cash receipts.

## FIXED ASSETS CONTROL

The College continues to have a problem with fixed asset control. A current physical inventory had not been completed and additions to fixed assets during the audit period had not been added. College officials stated they wanted to wait until they could write a program on their new computer equipment before recording the inventory. At the present time the College does have a program for inventory of library books and we believe that program could be used for other fixed assets until a more complete program can be developed. The current

records do not balance with the accounting records nor do they provide adequate control over fixed assets.

When we tested the fixed assets we found that certain items with material value had been taken out of the building for temporary use; however, there was no record of where the items were located or who was responsible for them. All fixed assets loaned or used outside of normal location should be receipted to assure they can be located if not returned in a timely manner.

#### RECOMMENDATIONS

7) We recommend the College use their library inventory program to record other fixed assets.

8) We recommend that the College update equipment inventory as new items are purchased and verify the inventory list annually.

9) We recommend the College develop a procedure for receipting all fixed assets taken from their normal locations.

#### STUDENT FUNDS

The College is responsible for several student activity funds which are accounted for in the Trust and Agency Fund. With the exception of a savings account for the Student Association Fund and a checking account for the Rodeo Club, all monies are deposited with the County Treasurer. We found that some of the Student Association funds are kept in a savings account at a local bank and at the time of our review, the only authorized signator on the savings account was out of the country on an extended leave. Because they did not have a signed authorization, bank officials were reluctant to provide us with balance information, and no one else can withdraw the funds. We believe these monies should be transferred to the County Treasurer and be accessible to the proper College officials.

Our review of student funds further revealed that the Rodeo Club has a checking account in the local bank which is not recorded in the Trust and Agency Fund. Our review ascertained that the funds are student funds under the direction of the Rodeo Club advisor, therefore, we believe they should be included in the College funds.

#### RECOMMENDATIONS

10) We recommend the College deposit all Student Association funds with the County Treasurer so they will always be accessible to the proper officials.

11) We recommend that all Rodeo Club funds be deposited with the County Treasurer and accounted for in the College records.



## DEBT SERVICE FUNDS

At June 30, 1982, the College had a balance of \$60,000 in bonds payable and \$1,064,498.54 in notes payable. Payment had been made in the audit period of \$40,000 on bond principal and \$6,024 of bond interest and service charges. In addition, a total of \$7,200 principal and \$11,318 interest payments had been made on a mortgage held by the Secretary of Housing and Urban Development, and \$19,501 principal and \$62,660 interest payments had been made to the Farmers Home Administrator for a mortgage on the physical education facility. Funds for the bond principal and interest payments are received from tax levies on the college district and the County Treasurer makes the payments. No record is kept by the College of either revenue or disbursements for bond payments. Payments of principal and interest on the mortgages are recorded in the College's books but required transfers to investment in plant have not been made. The terms of the FmHA mortgage require the College to maintain full accrual accounting and to comply with generally accepted accounting principles. Because of the noted discrepancies in the accounting records, they do not comply with generally accepted accounting principles and further do not provide to management and users the full disclosure of the College financial condition.

### RECOMMENDATION

12) We recommend the College properly record all debt service transactions so as to comply with generally accepted accounting principles for colleges and universities.

## FUND BALANCE ADJUSTMENTS

The College's last audit was dated June 30, 1980, and our review of the financial statements and prior audit workpapers indicated numerous adjustments to fund balances as part of the June 30, 1980, closing entries. We found these adjustments had not been made to the actual accounting records. Adjusting entries to fund balances and other accounts should be booked as soon as the entry is determined, with proper documentation to assure future tracking. If these procedures are not completed, the accounting records are not complete and any financial statements are inaccurate.

### RECOMMENDATION

13) We recommend that all adjusting entries be booked as soon as determined and accounting records be kept current and accurate at all times.

## MINUTES OF BOARD OF TRUSTEES

When we reviewed the Minutes of the College Board of Trustees, we found that the record of meetings from January 1982 through June 30, 1982, had not been signed by the President of the Board of Trustees and some were not signed by the Board Secretary. Minutes of the Board are not official until signed by the proper official. The minutes should be signed as soon as they are approved at a subsequent meeting as delays could result in the appropriate official not being available at a later time.

We further noted that the minutes did not contain copies of the detailed budget. Even though the minutes stated that budgets were approved, it would be impossible to determine actual amounts without the budget detail.

### RECOMMENDATIONS

14) We recommend that the Minutes of the Board of Trustees be signed by all appropriate officials as soon as approved.

15) We recommend that detail listings of budgets be included with the minutes when presented and approved.

### AUTHORIZATIONS FOR WITHHOLDING

As part of our payroll test procedures we checked files for current W-4's and other authorizations for payroll withholding. Out of our sample of eight files, we found five W-4's missing and authorization for items such as insurance and deferred tax annuities were not always properly filed. Federal regulations require current W-4 forms and the College should not withhold other amounts from wages without proper authorization as employees may question the propriety of such withholdings.

### RECOMMENDATION

16) We recommend the College review all employee files to assure proper payroll withholding authorizations.

### COMPUTER PROCEDURES MANUAL

The College has recently acquired new computer hardware and is in the process of developing programs for various financial and



statistical uses. At this development stage, it is equally important to document the various procedures, backup systems, and user controls in a procedures manual. In the early stages the manual may be largely draft; however, if it is reviewed and revised in conjunction with the program development, the manual will assure proper, efficient, and effective use of the hardware.

#### RECOMMENDATION

17) We recommend the College prepare a computer procedures manual to document systems, internal control, and user controls of the computer hardware.

#### CLASSIFICATION OF ACCOUNTS

The National Association of College and University Business Officers has developed standard accounting systems and financial reports for use by all colleges and universities. These formats have been recognized by the American Institute of Certified Public Accountants as the standard or generally accepted accounting principles for colleges and universities. We were unable to clearly identify the NACUBO classifications on the expenditure records for current funds. The classifications could be identified as part of the expenditure code and would result in more uniform and accurate financial statements.

#### RECOMMENDATION

18) We recommend that NACUBO account classifications be used for the College accounting system.

#### UNCOLLECTED TAX REVENUES

Over 35% of the College's revenue is from county tax levies. Each year some of the tax revenues are not currently collected, and some prior year taxes are paid. The County Treasurer distributes the current and prior year revenues upon receipt. The College books have been maintained on a cash revenue basis, therefore tax revenues are not recorded until actually deposited to the account by the County Treasurer. Generally accepted accounting principles for colleges and universities require full accrual accounting, and we feel this method would be especially advantageous to the College. If the total taxes were recognized as revenue when levied and booked by year, late collections would reduce taxes receivable rather than be recognized as revenue in the year collected. This method would further provide the College with accurate information on uncollected revenues so they could encourage the County officials to pursue uncollected taxes.

The College comptroller has analyzed uncollected taxes for the years 1979 through 1981 and estimates a total in excess of \$80,000 past due. This is a significant amount which should be properly reflected in the books of account.

#### RECOMMENDATIONS

19) We recommend accrual of full levies each year with an offset account for reserve for uncollected taxes based on the collection rate experienced for at least the previous three years.

20) We recommend the maintenance of a comprehensive support ledger to detail each year's uncollected taxes, to be reconciled periodically to the general ledger account, and to be used as a basis for requesting legal collection action by the County Sheriff when taxes are three years past due.

#### CASH FLOW

The College cash receipts from state appropriations are received in July, September, January, and April. Tuition is received in September, January, and March, and tax revenues are credited in December and May. The College expenditures, however, are heaviest from September to June. A review of the cash flow indicates a cash-flow problem usually occurs from September to December of each year, before the tax revenues are credited. Tuitions cannot be collected until the beginning of the quarter and tax revenues are not available until the statutory due dates. If the state appropriation payments could be more flexible, the College could request a larger payment in September and their cash-flow problem could be substantially reduced. We suggest the College seek the assistance of the Commissioner of Higher Education to determine if the accelerated payment could be authorized.

#### RECOMMENDATION

21) We recommend the College request the acceleration of the state appropriation payment to reduce their fall cash-flow problems.

#### COLLEGE WORK STUDY

College work study regulations require detailed time sheets for participants to assure that students are not working during scheduled class times. The College uses adequate time sheets; however, our review indicated that in some instances students may have worked during scheduled class hours. We were told that the time sheets are verified each pay period and the students probably attended different class sections than originally

scheduled. However, it was difficult to ascertain if that was the case. An up-to-date student class schedule filed in the student file and readily accessible to the supervisors and reviewers would assure the regulations were being followed. If a student's schedule is subject to change, some other method of documentation should be developed to assure compliance with regulations.

#### RECOMMENDATION

22) We recommend a copy of each student's class schedule be filed with student time sheets so that reviewers may readily ascertain that college work study students are not working during class hours.

#### STUDENT FINANCIAL AID ACCOUNTING

The College participates in the federal Student Financial Aid programs and the federal Pell Grant programs which provide financial aid to students while attending college. The program and financial administration of these programs has been assigned to the College Registrar and the Business Office respectively. It appears that annual federal reports have been prepared without reconciliation to the accounting records and accounting records beginning balances did not agree with the prior federal audit report. The College officials reviewed the accounts and reports and identified adjustments necessary to resolve the problem prior to the completion of our report. The important final process of accounting must always be reconciliation of accounting records, financial statements, and required reports, and we believe it is imperative that the College establish regular reconciling procedures.

As part of our test work we also found that several of the Student NDL loan notes on file had not been cancelled and returned to the students when repaid. The file of notes should also be regularly reviewed and reconciled to the accounting records.

#### RECOMMENDATION

23) We recommend a regular procedure of reconciliation to assure that federal financial aid reports reconcile with the accounting records.

#### PRIOR AUDIT FINDINGS

The audit for the two-year period ended June 30, 1980, contained 15 management comments. The recommendations regarding extension classes tuition, bookstore, collection efforts on student loans, hail insurance funds, fee waiver listing, student tuition

accounts receivable, financial aid policy, internal control, and line item budget transfers appear to have been implemented. We have commented also on the fixed asset inventory problems.

#### CLOSING

We wish to thank the Miles Community College Administration Business Office and Financial Aid Office and the University Business Office for their cooperation and assistance during the audit.



DOWNTOWN PROFESSIONAL CENTER  
314 NORTH LAST CHANCE GULCH

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# HAS & ASSOCIATES

RAE M. P.S.C., A PROFESSIONAL  
SERVICES CORPORATION

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**CERTIFIED PUBLIC ACCOUNTANTS**  
**(406) 443-6200**  
**P.O. BOX 198**  
**HELENA, MONTANA 59624**

November 23, 1982

Legislative Audit Committee  
of the Montana State Legislature:

We have examined the balance sheet of the Miles Community College of June 30, 1982, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the two-year period then ended. Our examination was made in accordance with generally accepted auditing standards and in accordance with generally accepted government auditing standards for financial and compliance audits and except as noted in the following paragraphs included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The AICPA Industry Audit Guide for Audits of Colleges and Universities was used as a guide in the examination.

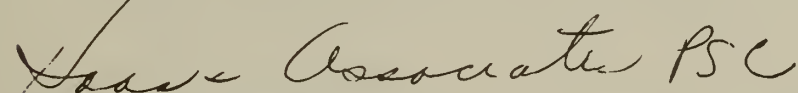
The detail inventory records for equipment and furniture at the College were incomplete and did not agree to the general ledger. During the audit period, no physical inventory had been completed so we were unable to confirm that items were accounted for although our tests confirmed the value of additions during the period at \$203,591.02. We were unable to satisfy ourselves that the beginning inventory in the amount of \$305,602.25 was accounted for, therefore, we were not able to determine what adjustment, if any, might be needed to agree with the detail records and the financial statements.



The AICPA Financial Accounting Standards Board statement No. 43 "Accounting for Compensated Absences" effective for years beginning after December 15, 1980, requires inclusion in the financial statements of the unfunded liability for compensated absences. The College has calculated the liability as of June 30, 1981, at \$34,714.88 and at \$41,315.26 as of June 30, 1982. If these amounts were recorded as liabilities they would have a material effect upon the current unrestricted fund balance.

In our opinion, except for the items discussed in paragraphs two and three, the accompanying financial statements present fairly the financial position of Miles Community College as of June 30, 1982, and the results of its operation for the two-year period then ended in conformity with generally accepted accounting principles, on a basis consistent with the preceding period.

The information provided in the supplemental schedules is not necessary for a fair presentation of the financial statements; however, it has been subjected to the tests and other auditing procedures applied in the examination of the financial statements taken as a whole, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Haas & Associates PSC".

HAAS & ASSOCIATES, PSC

MILES COMMUNITY COLLEGE  
BALANCE SHEET  
June 30, 1982 and 1981

	<u>1982</u>	<u>1981</u>
<u>ASSETS</u>		
CURRENT FUNDS:		
Unrestricted:		
Cash	10,692	5,566
Accounts Receivable	5,682	2,692
Tuition Accounts Receivable	541	699
Taxes Receivable - Net	18,000	
Prepaid Insurance		5,840
Inventory (Bookstore)	21,548	18,639
Credit Memos		2,208
Total Unrestricted	<u>56,463</u>	<u>35,644</u>
Restricted:		
Cash (Overdraft)	(17,769)	(5,624)
Accounts Receivable	3,775	18,364
Due from Federal Agencies	54,090	41,132
Total Restricted	<u>40,096</u>	<u>53,872</u>
TOTAL CURRENT FUNDS	<u>96,559</u>	<u>89,516</u>
LOAN FUNDS:		
Cash	162	2,123
Accounts Receivable	14	
Escrow	5,978	
Loans to Students - Net of Allowance for Doubtful Accounts	102,482	110,035
Grants Receivable	4,530	653
TOTAL LOAN FUNDS	<u>113,166</u>	<u>112,811</u>
AGENCY FUNDS:		
Cash (including Certificate of Deposit)	4,498	2,936
Investments		1,600
Accounts Receivable	10	4,307
Total Agency Funds	<u>4,508</u>	<u>8,843</u>
PLANT FUNDS:		
Renewal & Replacement:		
Cash	2,135	22,957
Total Renewal & Replacement	<u>2,135</u>	<u>22,957</u>
Retirement of Indebtedness		
Cash	4,121	7,471
Total Retirement of Indebtedness	<u>4,121</u>	<u>7,471</u>
Investment in Plant		
Land	112,232	112,232
Buildings	3,606,352	3,568,759
Equipment and Other Assets	559,819	482,840
Total Investment in Plant	<u>4,278,403</u>	<u>4,163,831</u>
TOTAL PLANT FUNDS	<u>4,284,659</u>	<u>4,194,259</u>



MILES COMMUNITY COLLEGE  
BALANCE SHEET, Continued  
June 30, 1982 and 1981

	<u>1982</u>	<u>1981</u>
<u>LIABILITIES AND FUND BALANCES</u>		
CURRENT FUNDS:		
Unrestricted:		
Liabilities		
Accounts Payable	19,691	
Vouchers Payable	41	
Deposits	1,975	125
Deferred Revenue	1,486	1,790
Fund Balance	<u>33,270</u>	<u>33,729</u>
Total Unrestricted	<u>56,463</u>	<u>35,644</u>
Restricted:		
Liabilities		
Accounts Payable	977	3,645
Deferred Revenue		563
Fund Balance	<u>39,119</u>	<u>49,664</u>
Total Restricted	<u>40,096</u>	<u>53,872</u>
TOTAL CURRENT FUNDS	<u>96,559</u>	<u>89,516</u>
LOAN FUNDS:		
Accounts Payable	500	1,459
Fund Balance - U.S. Gov't Portion	<u>112,666</u>	<u>111,352</u>
TOTAL LOAN FUNDS	<u>113,166</u>	<u>112,811</u>
AGENCY FUNDS:		
Accounts Payable	250	250
Fund Balance	<u>4,258</u>	<u>8,593</u>
TOTAL AGENCY FUNDS	<u>4,508</u>	<u>8,843</u>
PLANT FUNDS:		
Renewal & Replacement		
Fund Balance	<u>2,135</u>	<u>22,957</u>
Total Renewal & Replacement	<u>2,135</u>	<u>22,957</u>
Retirement of Indebtedness		
Fund Balance	<u>4,121</u>	<u>7,471</u>
Total Retirement of Indebtedness	<u>4,121</u>	<u>7,471</u>
Investment in Plant:		
Bonds Payable	60,000	80,000
HUD Note Payable	184,000	187,600
FMHA Note Payable	880,499	894,095
Due to Contractor		6,000
Contract Payable - IBM	44,036	63,742
Net Investment in Plant	<u>3,109,868</u>	<u>2,932,394</u>
Total Investment in Plant	<u>4,278,403</u>	<u>4,163,831</u>
TOTAL PLANT FUNDS	<u>4,284,659</u>	<u>4,194,259</u>



MILES COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCES  
Year Ended June 30, 1981

	CURRENT FUNDS			Loan Funds	Agency Funds	Unexpended	Renewal & Replacement	PLANT FUNDS	
	Unrestricted	Restricted						Retirement of Indebtedness	Investment in Plant
Revenues & Other Additions:									
Educational & General	1,212,693	379,926							
Auxiliary Enterprises	87,631								
District Levy								23,340	
Investment Income-Restricted				636			3,363	757	
Receipts & Fees							12,925	7,275	
Endowment Income								1,500	
Total Revenues & Other Add.	1,300,324	379,926		636	42,585	(2,894)	16,288	32,872	
Expenditures & Other									
Deductions:									
Educational & General Exp.	1,194,762	400,469							
Auxiliary Enterprises	80,347								
Operating Expenditures					42,236				
Interest on Indebtedness								27,309	
Admin. & Collection Costs				445					
Loan Cancellation Expense				4,294					
Total Expend. & Other Deduc.	1,275,109	400,469		4,739	42,236			27,309	
Transfers Among Funds									
Additions/(Deductions)									
Mandatory: Principal & Interest								(29,505)	
Renewal & Replace. (127,510)							(35,065)	22,665	169,414
Total Expend. & Mandatory	1,402,619	400,469		4,739			35,065	34,149	169,414
Transfers									
Net Increase (Decrease) for	(102,295)	(20,543)		(4,105)	349	(2,894)	(18,777)	(1,277)	169,414
the Year									
Fund Balance-Beginning of Year	136,024	70,207		115,455	8,244	2,894	41,734	8,748	2,762,980
Fund Balance-End of Year	33,729	49,664		111,352	8,593	-0-	22,957	7,471	2,932,394

**HAS & ASSOCIATES**  
R&E INC.  
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SERVICES CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS  
HELENA, MONTANA

The accompanying notes are an integral  
part of these financial statements.



MILES COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCES  
Year Ended June 30, 1982

	CURRENT FUNDS			Loan Funds	Agency Funds	Renewal & Replacement	PLANT FUNDS	
	Unrestricted	Restricted					Retirement of Indebtedness	Investment in Plant
Revenues & Other Additions:								
Educational & General	1,617,105	315,230						
Auxiliary Enterprises	159,361							
Grants & Contracts				4,908				
District Levy							22,684	
Investment Income-Restricted				795	124	408		
Receipts & Fees					51,341	13,335	6,668	
Expended for Plant Facilities								
Endowment Income							28,614	
Total Revenues & Other Additions	1,776,466	315,230		5,703	51,465	13,743	57,966	
Expenditures & Other Deductions:								
Educational & General Expend.	1,390,490	327,863						
Auxiliary Enterprises	271,055							
Operating Expenditures					53,888			
Restricted Gifts Allocated					1,932			
Retirement of Indebtedness							52,684	
Interest on Indebtedness								
Administrative & Collection Costs				2,314				
Loan Cancellation Expense								
Total Expend. & Other Deductions	1,661,545	327,863		2,314	55,820		52,684	
Transfers Among Funds								
Additions/(Deductions)								
Mandatory: Principal & Interest						(34,565)	(2,632)	
Renewal & Replacement							(6,000)	177,474
Total Expend. & Mandatory Transfers	1,795,822	327,863		2,314	55,820	34,565	61,316	177,474
Net Increase (decrease) for the Year	(19,356)	(12,633)		3,389	(4,355)	(20,822)	(3,350)	177,474
Fund Balance-Beginning of Year	33,729	49,664		111,352	8,593	22,957	7,471	2,932,394
Prior Period Adjustments-Net	18,000							
Adjustments to Fund Balance	897	2,088		(2,075)	20			
Fund Balance - End of Year	33,270	39,119		112,666	4,258	2,135	4,121	3,109,868





MILES COMMUNITY COLLEGE  
COMPARATIVE STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES & OTHER CHANGES  
For the Year Ended June 30, 1981 and 1982  
With Comparative Totals for 1980

	1982		1981		1980	
	Unrestricted	Restricted	Unrestricted	Restricted	Total	Total
<b>REVENUES</b>						
Educational & General						
Student Tuition & Fees	166,979	14,465	127,235		127,235	101,929
Governmental Appropriation	779,222		551,907		551,907	512,350
District Levies	554,639		427,480		427,480	406,119
Government Grants & Contracts		199,484		327,754	327,754	253,447
Gifts and Private Grants		35,012		11,622	11,622	9,387
Indirect Costs Recovered		148				1,854
Student & User Fees	116,265	66,121	106,071	40,550	146,621	3,902
Total Educational & General	1,617,105	315,230	1,212,693	379,926	1,592,619	1,288,988
Auxiliary Enterprises	159,361		87,631		87,631	85,197
Total Revenues	1,776,466	315,230	1,300,324	379,926	1,680,250	1,374,185
<b>EXPENDITURES &amp; MANDATORY TRANSFERS</b>						
Educational & General						
Instruction	671,091	54,061	782,533	115,252	897,785	581,456
Public Service	46,667		46,667			45,298
Academic Support	156,136	57,839	213,975	67,241	102,530	130,420
Student Services	188,424	7,607	196,031	9,205	98,123	163,555
Operation/Maint. of Plant	74,950		88,918		32,034	117,688
Institutional Support	226,034	63,305	289,339	45,249	301,237	183,210
Student Aid	27,188	45,051	172,239	163,522	163,522	58,427
Total Educ. & Gen Expenditures	1,390,490	327,863	1,194,762	400,469	1,595,231	1,280,054
Mandatory Transfers For:						
Renewal & Replacement	134,277		127,510		127,510	
Total Educational & General	1,524,767	327,863	1,322,272	400,469	1,722,741	1,280,054
Expend. & Mandatory Trans.						
Auxiliary Enterprises	271,055		80,347		80,347	105,423
Total Expenditures & Mandatory Transfers	1,795,822	327,863	1,402,619	400,469	1,803,088	1,385,477
<b>OTHER TRANSFERS &amp; ADDITIONS</b>						
Excess of Restricted Receipts over Transfers to Revenues						31,094
Miscellaneous						(411)
Total Other Transfers & Additions						30,683
NET INCREASE IN FUND BALANCE	(19,356)	(12,633)	(31,989)	(20,543)	(122,838)	19,391





MILES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1982

Note 1 - Summary of Significant Accounting Policies

Accrual Basis

The financial statements of Miles Community College have been prepared on the accrual basis except for depreciation accounting and allowance for uncollectible loans as explained in Notes 3 and 4 to the financial statements. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not propose to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amount so provided are accounted for as: (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) as transfers of a nonmandatory nature for all other cases.

Fund Accounting

In order to insure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

MILES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS - continued  
June 30, 1982

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like, is accounted for in the fund owning such assets.

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds.

Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Inventory at the College's bookstore is stated at the lower of cost or market using the first-in, first-out method. Purchases of supply items are charged in the appropriate funds directly to current-year expenditures. The recognition of these inventories would not have a material effect on the College's overall financial position.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the notes thereto.

Note 2 - Investments

All investments are recorded at cost. There were no investments on June 30, 1981. In the 1981-82 fiscal year, the College entered into a cooperative agreement with Custer County to invest the College's funds in a repurchase agreement, bearing interest at a negotiated rate of .55% over the treasury bill rate in effect at time of negotiation. Interest is distributed monthly to the General Fund. The College pays 3 percent of interest income to Custer County for an administrative fee.

Note 3 - Physical Plant and Equipment

Physical plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. In accordance with accepted accounting principles for colleges and universities, the College does not provide for depreciation of physical properties.

MILES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS - continued  
June 30, 1982

Note 4 - Allowance for Doubtful Accounts - Loan Funds

No provision for uncollectible National Direct and Nursing Student Loans has been provided for in the accompanying financial statements. The College follows accounting practices for the National Direct and Nursing Student Loan Program that are in accordance with government regulations. Those regulations do not provide for recognition of interest receivable or for establishment of allowances for uncollectible loans receivable or future loan cancellations by the government. To that extent the portion of the financial statements relating to loan funds are at variance with generally accepted accounting principles. However, 90 percent of any interest receivable or uncollectible loans and 100 percent of government cancellations would add to or reduce the U.S. Government portion of the Fund balance and, therefore, would not have a significant effect on the College's over-all financial position.

Note 5 - Bonds and Notes Payable

At June 30, 1982, the College had a total of \$60,000.00 in bonds payable and \$1,064,498.54 in notes payable. The proceeds of these liabilities were used to finance campus buildings.

The details of the obligations are as follows:

Bonds

<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
1983-85 (\$20,000. annually)	3.250%	<u>\$60,000.</u>
Total		<u>\$60,000.</u>

District levies are used to make principal and interest payments.

Notes Payable

Housing and Urban Development

The note with a balance due of \$187,600 at June 30, 1981, and \$184,000 at June 30, 1982, is payable to the United States of America through the Secretary of Housing and Urban Development. The note bears an annual interest rate of 3 percent. Principal payments range between \$1,741 and \$4,500, and are due semi-annually. Final payment is due July 1, 2012. Student fees are used to make principal and interest payments.



MILES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS - continued  
June 30, 1982

Farmers Home Administration (FmHA)

A physical education facility was completed in the 1980-81 fiscal year. Interim financing for the facility was provided by three Miles City banks until January 19, 1981, when permanent financing was received from the Farmer's Home Administration in the amount of \$900,000. The term of the loan is 30 years and bears interest at 5 percent per annum. The loan is a special limited obligation of Miles Community College District and does not constitute a general obligation thereof.

The Miles Community College Endowment Corporation guaranteed the FmHA loan and pledged certain of its assets.

The loan will be repaid through the following: (1) a special building fee charged to students; (2) charges for use of the facility; (3) investment income; (4) funds received from the Endowment Corporation; and (5) other revenues of the college.

At June 30, 1981, the mortgage payable was \$894,095 and at June 30, 1982, it was \$880,499.

The College records interest expense on the above liabilities when paid. The recognition of accrued interest expense would not have a material effect on the College's overall financial position.

Note 6 - Retirement Programs

Retirement benefits are provided for the academic staff through the Montana Teachers' Retirement System (TRS) and nonacademic staff through the Montana Public Employees' Retirement System (PERS). Both plans are operated by the State of Montana and membership is compulsory for the respective classes of employees. Contributions for participants and the College are based on a percentage of the participant's salary.

Defined benefits under both plans are based on years of service and final average salary of the participant. The actuarial present value of vested benefits and the amount, if any, of unfunded past service costs for these plans is determined periodically on a statewide basis and can be obtained from TRS and PERS. The College's share of the cost of these plans for the year ended June 30, 1981, was \$49,113.56, and for the year ended June 30, 1982, was \$61,086.50.

MILES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS - continued  
June 30, 1982

Note 7 - Commitments and Contingent Liabilities

The value of unused vacation and sick leave accumulated by employees is not recorded as a liability. Each full-time employee of the College can accumulate sick leave up to maximum of thirty (30) working days. Upon termination from service, employees are compensated for unused sick leave on the basis of one-fourth (1/4) the accumulated total. Full-time support personnel and administrators are allowed to accumulate no more than one-year's total annual vacation leave. Any unused annual leave not to exceed one-year's accumulated total will be compensated for when an employee's service is terminated. The unfunded liability was \$34,714.88 at June 30, 1981, and \$41,315.26 at June 30, 1982.

Note 8 - Prior Period Adjustments and Reserve for Uncollected Taxes

Uncollected taxes for the years 1979 through 1981 have been estimated and accrued at \$80,000.00 and a reserve for uncollected taxes has been established at \$62,000.00

Note 9- Related Party Transactions

The Miles Community College Endowment Corporation is a separate Coporation formed to promote Miles Community College.

Income from the Enowment fund of the corporation is paid to the College to assist in servicing the FmHA mortgage on the P.E. (Centra) Building.

The corpus of the endowment fund is pledged as a reserve as required by the FmHA mortgage agreement on the P.E. (Centra) Building.

Note 10- Contract Payable to IBM

On June 15, 1981, the College entered into an Installment Payment Agreement with International Business Machines Corporation for the purchase of a Systems Unit, Display Station and Printer. The amount due at June 30, 1981 was \$63,742 and at June 30, 1982 was \$44,036.





MILES COMMUNITY COLLEGE  
SCHEDULE OF FEDERAL GRANTS  
EXPENDITURES BY SOURCE

1981-82	Revenue	Grant Expenditures
ESEA TITLE III	\$ 64,438	\$ 63,305
Adult Basic Education	12,111	11,948
Title II Library Resource	1,200	1,453
National Science Foundation		5,725
CETA/Displaced Homemakers	28,110	26,786
	<u>\$105,859</u>	<u>\$109,217</u>
1980-81		
ESEA TITLE III	58,632	50,322
Title III SDIP		44,458
Adult Basic Education	12,884	12,880
Title II Library Resource	1,900	2,387
Vocational Education		21,112
Vocational Education Apprentice		8,398
National Science Foundation	49,382	28,264
CETA/Displaced Homemakers	25,975	20,283
	<u>\$148,773</u>	<u>\$188,104</u>

Note: These amounts are included in Government Grants and Contracts in the Statement of Current Funds Revenue, Expenditures and Other Changes.



MILES COMMUNITY COLLEGE  
SCHEDULE FULL-TIME EQUIVALENT STUDENTS  
For 2-Year Period Ended June 30, 1982

	Miles Community College	Dull Knife	Little Big Horn	Fort Peck FTE	Total FTE	Part-time Enrollment	Full-time Enrollment	Total Students
Summer 1980	36.6	8.67	7.6		52.87	164	4	168
Fall 1980	428.0	36.1		31.5	495.6	499	365	864
Winter 1981	390.4	81.0		25.0	496.73	467	374	841
Spring 1981	357.8	45.27		9.1	412.1	377	312	689
Summer 1981	44.06			7.06	51.1	148	5	153
Fall 1981	430.1	103.86	49.4	26.5	609.9	535	470	1005
Winter 1982	409.1	74.47	62.26	31.8	577.7	569	423	992
Spring 1982	381.4	64.9	37.1	20.3	503.7	483	375	858





MILES COMMUNITY COLLEGE  
SCHEDULE OF CAPITAL PROJECTS  
For 2-Year Period Ended June 30, 1982

Physical Education Building (Centra)

Costs at June 30, 1980 \$ 935,691

Additions

1980-81 Completion Centra Structure 198,217

Landscaping 1,318

Site Improvement, Paving, Sidewalk 7,519

1981-82 Site Improvements, Landscaping,  
Paving, Lawn, Walkway 37,593

TOTAL PROJECT

\$1,180,338

Centra project was completed and final payment made to contractors for substantial construction on December 20, 1980.

Note: Total Project is included in Investment in Plant - Buildings.



# MILES COMMUNITY COLLEGE

2715 Dickinson

MILES CITY, MONTANA 59301

Telephone (406) 232-3031

December 8th, 1982

Haas & Associates  
Rae M. Haas  
Certified Public Accountant  
P.O. Box 198  
Helena, Montana 59301

Following is our response to the statements and recommendations which you have included in the audit of Miles Community College:

## RECOMMENDATION

1.) Concur. Starting Winter quarter we will be running our registration on MCC's computer system rather than EMC's computer system. When this system is fully implemented (Fall 1983), all official registration forms will be sequentially numbered with a corresponding number on a computer generated tuition and fee form. All other types of enrollment documents, ie. extension cards, non-credit enrollment cards, etc., will also be sequentially numbered.

## RECOMMENDATION

2.) Concur. All changes, including late registrants, made in the computer generated enrollment reports will be properly documented and photocopies of all origination documents will be kept with this documentation.

## RECOMMENDATION

3.) Concur. We are currently considering utilizing an outside firm to write the manual.

## RECOMMENDATION

4.) Concur. Policy review required at least one original signature on all checks. Three signatures are authorized. We will reinforce following policy.

## RECOMMENDATION

5.) Concur.

## RECOMMENDATION

6.) Concur. Now that we better understand the requirements of our computer software, we are developing prenumbered forms for this use.

RECOMMENDATION

7.) We do not feel that use of the library program would be more than a stop gap measure. We have a definite time table for taking a fiscal count and developing an adequate program so that the fixed assets will be accounted for and recorded properly by the end of fiscal 1983.

RECOMMENDATION

8.) Concur. A physical inventory is planned for December, 1982. Additions will be booked when received.

RECOMMENDATION

9.) Concur.

RECOMMENDATION

10.) Concur. As of January, 1983 Student Association funds will be deposited with the County Treasurer.

RECOMMENDATION

11.) Concur. Compliance will be accomplished by January, 1983.

RECOMMENDATION

12.) Concur. Will have requested periodic reports from the County Treasurer's Office.

RECOMMENDATION

13.) Concur.

RECOMMENDATION

14.) Concur. As of the December, 1982 Trustee Meeting, signatures are current.

RECOMMENDATION

15.) Concur.

RECOMMENDATION

16.) Concur. Although all forms have been found since the audit inspection, control and filing methods will be upgraded.

RECOMMENDATION

17.) Concur. The new computer services director is in the process of developing and recording these procedures.

RECOMMENDATION

18.) Concur. We have ordered a current NACUBO manual and will implement changes as needed.

RECOMMENDATION

19.) Concur.

RECOMMENDATION

20.) Concur.

Haas & Associates  
Page 3.  
December 8th, 1982

RECOMMENDATION

21.) Concur. A cash flow study will indicate approximate funding needs to be presented to the legislature.

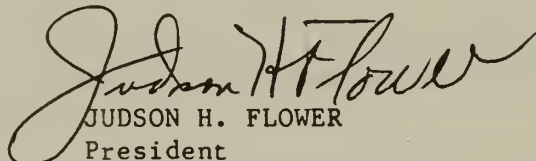
RECOMMENDATION

22.) Concur. Effective January, 1983 CWS employees will have a current schedule placed in their files.

RECOMMENDATION

23.) Concur. Periodic (monthly/quarterly) reconcilliations are planned.

Respectfully submitted,



JUDSON H. FLOWER  
President  
Miles Community College

JHF:srk







# THE MONTANA UNIVERSITY SYSTEM

33 SOUTH LAST CHANCE GULCH  
HELENA, MONTANA 59620-2602

(406) 449-3024

COMMISSIONER OF HIGHER EDUCATION

December 10, 1982

Rae M. Haas  
Haas & Hintz PSC  
P.O. Box 173  
Helena, MT 59624

Dear Rae:

I have received your audit report of Miles Community College and concur with your recommendations. I believe your recommendation concerning the cash flow problems that Miles Community College has experienced with their mandatory levy is most helpful

Sincerely,

A handwritten signature in dark ink, appearing to read "William J. Lannan".

William J. Lannan  
Community College Coordinator

WJL/rc





